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BW/PATR

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF IDEAL FINANCE LIMITED**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of IDEAL Finance Limited ("the Company"), which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D X Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulalman ACA ACMA B E Wijesuriya FCA FCMA
Principal: T P M Ruberu FCCA

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

24 June 2019
Colombo



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STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 Rs.	2018 Rs.
Income	3	777,461,473	630,995,212
Interest Income	4.1	704,307,306	572,537,068
Interest Expenses	4.2	(292,974,160)	(228,114,523)
Net Interest Income		<u>411,333,146</u>	<u>344,422,545</u>
Fees and Commission Income	5	9,298,176	8,099,316
Net Fee and Commission Income		<u>9,298,176</u>	<u>8,099,316</u>
Other Operating Income	6	63,855,991	50,358,828
Total Operating Income		<u>484,487,313</u>	<u>402,880,689</u>
Impairment Charges for Loans and other Losses	7	(24,551,990)	(18,602,824)
Net Operating Income		<u>459,935,323</u>	<u>384,277,865</u>
Operating Expenses			
Personnel Expenses	8	(129,979,352)	(109,148,019)
Depreciation of Property Plant & Equipment	24.2	(20,959,443)	(18,340,347)
Amortization of Intangible Assets	25	(5,101,180)	(4,757,292)
Other Operating Expenses	9	(84,512,604)	(73,350,687)
Operating Profit before Taxes on Financial Services		<u>219,382,744</u>	<u>178,681,520</u>
Value Added Tax, NBT & DRL on Financial Services	10	(56,961,345)	(32,387,274)
Profit before Taxation		<u>162,421,399</u>	<u>146,294,246</u>
Income Tax Expenses	11	(61,299,253)	(43,477,954)
Profit/ (Loss) for the period		<u>101,122,146</u>	<u>102,816,292</u>
Basic and Diluted Earnings Per Share (Rs)	12	1.12	1.29
Profit/ (Loss) for the period		<u>101,122,146</u>	<u>102,816,292</u>
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods			
Actuarial Gain/ (Loss) on Defined Benefit Obligations		(68,851)	(1,592,699)
Deferred Tax (Charge)/Reversal on Other Comprehensive Income		19,278	445,956
Other Comprehensive Income for the period, Net of Tax		<u>(49,573)</u>	<u>(1,146,743)</u>
Total Comprehensive Income for the period, Net of Tax		<u>101,072,573</u>	<u>101,669,549</u>

The Accounting Policies and Notes on pages 07 through 58 form an integral part of the Financial Statements.



STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

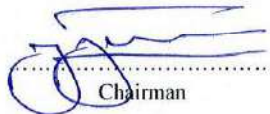
	Notes	2019 Rs.	2018 Rs.
ASSETS			
Cash and Bank Balances	14	42,822,230	51,593,413
Investment in Government Securities	15	51,670,419	26,566,794
Placements with Banks and Other Financial Institutions	16	15,362,258	39,934,643
Gold Advances	17	456,564,892	177,748,346
Lease Rentals Receivable and Stock out on Hire	18	2,282,389,816	2,040,010,374
Loans and Advances	19	1,003,352,881	496,510,205
Other Financial Assets	20	42,662,018	46,820,823
Other Non Financial Assets	21	29,674,991	16,665,058
Financial Investments-Measured at Fair Value through OCI/ Available for Sale	22	457,700	457,700
Inventories	23	70,754,807	150,280,432
Property, Plant and Equipment	24	112,358,368	94,701,119
Intangible Assets	25	23,092,781	24,398,373
TOTAL ASSETS		4,131,163,161	3,165,687,280
LIABILITIES			
Interest Bearing Borrowings	26	2,190,707,788	1,529,388,772
Due to the Customers	27	584,784,876	367,110,412
Other Financial Liabilities	28	96,219,835	145,886,468
Other Non Financial Liabilities	29	48,716,913	15,978,566
Retirement Benefit Liability	30	11,448,517	8,433,608
Current Tax Liabilities		19,629,876	9,730,702
Deferred Tax Liabilities	31	62,911,102	45,328,996
TOTAL LIABILITIES		3,014,418,907	2,121,857,524
EQUITY			
Stated Capital	32	808,247,125	808,247,125
Retained Earnings		291,212,571	223,351,702
Reserves	33	17,284,558	12,230,929
TOTAL EQUITY		1,116,744,254	1,043,829,755
TOTAL LIABILITIES AND EQUITY		4,131,163,161	3,165,687,280

These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.



Finance Manager

The Board of Directors are responsible for these Financial Statements. Signed for and on behalf of the Board of by:



Chairman



Chief Executive Officer

The Accounting Policies and Notes on pages 07 through 58 form an integral part of the Financial Statements.

